Testimony of Ron Anderson, Hallock, MN
President of the Minnesota Association Of Wheat Growers
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My name is Ron Anderson, and I farm 2,200 acres of wheat, soybeans, sugar beets, canola, and alfalfa in northwestern Minnesota of the Red River Valley. I have been on the board of directors of the Minnesota Association of Wheat Growers for 9 years, currently serving as president.

I appreciate the opportunity to visit with you today about federal policies that affect our farming livelihood. My farm is about five hours northwest of here, just a stone's throw away from the Canadian border. The growing conditions in my neck of the woods are much different than they are here in southern Minnesota. In fact, with our short growing season, we probably have more in common with Canadian crop producers, agronomically speaking, then with producers here in southern Minnesota, which has growing conditions more like the Corn Belt. The fact that the agriculture and growing conditions here in one state are about as different as they are from California to Mississippi serves as a reminder that when it comes to drafting farm policy, one size does not fit all. I hope you keep that in mind as you develop new farm programs, because flexibility is needed in the administration of farm policy rules.

As you know, we've suffered through four straight years of low market prices, coupled with higher production costs in recent years. I figure that my cost per acre the past two growing seasons has risen about \$5.60 to \$6.27 per acre, or about \$14,000 on my ranch, primarily because of the higher gas and utility costs that affect everything from fertilizer, fuel, and grain drying costs, to the expense of hauling grain. It also means a wider market basis. That's the difference between the futures market price and the local cash price, determined by a variety of factors, including transportation costs.

In northwest Minnesota, not only have we been challenged in the marketplace, but also on the production side of the ledger. The Red River Valley has been in a wet cycle for the past 10 years. The Fargo-Moorhead area, which is about in the middle of the Valley, has averaged an extra 2.65 inches of rain each summer since 1991. That's like getting four months of rain crammed into three for 10 straight years, according to a local meteorologist. He points out that most teenagers today in the Red River Valley do not know what it is like to have a hot, dry summer.

This wet cycle has reduced crop production yields and quality in the Valley, which traditionally has been one of the best crop production regions in the world. The current wet cycle has resulted in an increase in crop diseases, such as scab or Fusarium head blight in wheat and white mold in soybeans. This spring, wet weather prevented many farmers in my area from getting in the field to plant. On my farm, I was only able to seed 55% of my intended wheat acres, and zero beans. About 50% of crop acreage in my county will be prevented plant this year, because it's too wet. Ironically, in western North Dakota and Montana, there are wheat producers who were unable to plant because it was too dry.

I want to thank you and your colleagues for legislative measures that have helped mitigate our losses in the field and in the marketplace. Better planting flexibility written into the 1996 Farm Bill has given me and a lot of other farmers a much greater ability to grow crops in response to the markets and to the needs of a proper crop rotation. Before "Freedom to Farm" I was basically growing just two crops: wheat and sugar beets. Now I'm growing five, because I'm no longer tied to growing program crops on base acreage. I definitely hope this planting flexibility carries over to the new farm bill. Loan deficiency payments or LDPs have also helped with the extremely low crop prices, and should be included in the next farm bill.

Of course, it's well known by now that the lack of price support is a major flaw in the current farm bill. I know there's a lot of farmers who wouldn't be in business today without the emergency AMTA and crop disaster loss assistance the past three years. An emergency AMTA payment and disaster assistance will be needed again this year, until a better price-support mechanism is incorporated into the farm program. I would stress that a more systematic price-support mechanism will not only help farmers sleep better at night, but also their ag lenders. The unpredictability of AMTA and AMTA-plus the past few years has made it more difficult for lenders to extend operating capital. A more stable farm program will do much to help lenders work with farmers in financial planning.

I believe that the counter-cyclical support plan proposed by the National Association of Wheat Growers is something that will work well on my farm, and will be understandable to my lender. I would believe that to be the case with other farms and other commodities as well. In brief, the NAWG plan would create a counter-cyclical payment that would provide additional assistance in years plagued by low commodity prices, but would not come into effect when market forces were strong. The counter-cyclical wheat payment would be based on a $4.25 "Market Support Price." The payment would be calculated by subtracting the guaranteed base payment and the higher of either the national average market price or the marketing loan rate from the support price. A Market Loss Assistance Payment would be issued to cover the difference. All payments would be decoupled from current production and applied to historic bases and yields. A more detailed summary of the NAWG plan is attached with copies of my testimony in case you have not yet seen it.

I also like the fact that the NAWG plan would raise marketing loan levels without changing the loan rate of soybeans or other oilseeds. Without question, the current inequity of loan rates among program crops encourages overproduction of soybeans and oilseeds, so I believe that more equitable loan rates among program crops is something that is essential in the next farm bill.

As a producer, I appreciate the better coverage now available for crop insurance. Higher coverage products are now more affordable, and early numbers on crop insurance sales this year from Kansas State University indicate significantly better sales of products that offer higher coverage levels, including Crop Revenue Coverage and Revenue Assurance.

Whether crop insurance will be enough to offset losses, or if there is need for disaster assistance, still remains to be seen, however. Prevented Plant coverage pays 60 to 70% of your total protection, so my prevented planting indemnity this year will range between $49 to $60 per acre. Prevented plant coverage is adequate when a small part of the farm is prevented from being planted, but when large areas of land go unplanted, there is too much overhead or fixed costs that crop insurance will not cover. Basically my insurance for prevented plant will cover land rent, but not other living costs such as college tuition for the kids, the house payment, the combine payment, and so forth.

Another point about crop insurance is that coverage for quality losses still isn't where it should be at, in my opinion. I would urge you to survey farmers about the 2000 Crop Insurance Reform Act, to get their thoughts about what they like, dislike, and what improvements might still be needed. Perhaps we need to view crop insurance like computer software, with upgrades made as producer needs and conditions change. So while the 2000 law might be viewed as "Crop Insurance 2.0," maybe an upgrade to "Crop Insurance 3.0" might be needed with the next farm bill.

I understand that no administrator has yet been appointed at the USDA Risk Management Agency, and that research and development on current and future crop insurance products is moving very slowly. I would urge that both processes be accelerated if possible.

Finally, I would like to comment on the "Conservation Security Act" re-introduced in the Senate by U.S. Senators Tom Harkin of Iowa and Gordon Smith of Oregon, and in the House by Representatives John Thune of South Dakota and Marcy Kaptur of Ohio. This legislation would establish a universal and voluntary incentive payment program to support and encourage conservation practices by farmers, and it's possible that elements of this plan may be considered in the next farm bill. While this proposal may be well intentioned, I would urge caution in considering such a plan for primary commodity income support. Many state and federal conservation initiatives already exist, and I would also point out that many prime farming areas in this country are just that, prime farming areas, with no wetlands to restore or wildlife habitat to enhance. So I would urge that the Conservation Security Act be considered as an <u>optional</u> participation program <u>ONLY</u> if funding above and beyond the $79 billion budgeted for agriculture through 2011, including disaster assistance for the current year, can be found. Funding for this proposal should <u>NOT</u> siphon away funding for improving the safety net of the current farm bill.

Thank you again for this opportunity to speak, and I welcome any questions that you may have.